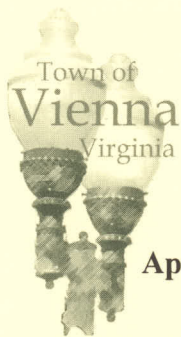


Town of Vienna, VA Proposed Budget

July 1, 2011 — June 30, 2012



April 1, 2011

**The Honorable Mayor and
Members of the Town Council
Town of Vienna
Vienna, Virginia 22180**

Dear Mayor and Council:

As required by Section 5.1 of the Town Charter, I herewith submit the proposed budget for the Town of Vienna for the fiscal year beginning July 1, 2011.

The economy in Vienna has improved significantly when compared to the last several years both in terms of assessed valuation and the activity taking place with the construction and remodeling of homes and commercial buildings. We will continue to face reductions in those revenues received from the Commonwealth of Virginia but locally generated revenues have held firm and in some cases are increasing. As you will note from the figures in this memorandum, our overall assessment base increased by a healthy percentage when compared to the last several years. The surge in building activity is evidence of confidence in Vienna by the construction industry. Building permits for 2011 are running substantially ahead of 2010 levels and we do not see this trend changing for the near future.

The Town was able to continue to provide all necessary services during the recession and did not have to resort to furloughs or layoffs as was the case with many other jurisdictions. Our commitment to conservative revenue forecasting and expenditures served us well and as a result we were also able to obtain a AAA rating from the credit rating agencies for our 2010 G.O. bond issue. This is a significant achievement in a good economy but even more so during a period of economic uncertainty.

This proposed budget was prepared on a new platform as a part of our recently installed financial software system and also represents our initial efforts at preparing a document that includes specific goals, objectives and performance measures for all departments. It is not a perfect document but a “living” one that will be revised and improved as each year goes by and it will provide the citizens, the Town Council and the departments with a solid foundation on which to build.

The departments spent countless hours this year working on this new budget format and making sure that all proposed expenditures were both realistic and properly classified in the appropriate accounts. The budgets that were given to me were well

done not only in terms of requested expenditures but also in terms of services to be provided and performance measures. This budget includes a reinstatement of the annual salary increases for our employees that was reduced and then curtailed over the last two years.

For 2011 the average existing residential assessments increased by 4.27% over 2010 while the average commercial assessment increased by 1.99%. The Town did experience new construction and improvements to existing properties of just over \$66 million during 2010 both in residential and commercial categories. As of January 1, 2011, the percentage ratio of residential to commercial value in Town is 79/21 versus a 78/22 ratio in 2010. While the change is slight it does show that commercial assessments are not keeping pace with the increase in residential assessments.

We have continued our practice of conservative revenue forecasting but with the General Assembly tinkering with state shared revenues and other issues that affect the Town we may need to revisit some of our revenue projections during the budget review sessions. Any adjustments required once final action has been taken by the Governor and General Assembly will then need to be made prior to our planned public hearing. The FY 2011/12 proposed budget is based on a real estate tax rate of 24.35 cents per \$100 of assessed valuation which represents a decrease of .13 cents from the FY 2010/11 rate but an effective tax rate increase as defined by law. Later in this memorandum we will discuss the computation and meaning of the term "effective tax rate increase" and what that effect will be on the average home in Vienna.

The Town of Vienna continued to receive the Distinguished Budget Award from the Government Finance Officers Association of the United State and Canada and we plan to submit the FY 2011/12 budget for review following its adoption. This award is important in that it signifies that the Town of Vienna has prepared and adopted a budget that exhibits proficiency in policy, operations, financial planning and communications. We attempt with each proposed budget to prepare a document that is informative and useful to our citizens as well as a document that will guide us through the fiscal year.

The Fairfax County Office of Assessments has provided us with information that the total taxable assessed valuation of properties and buildings within the Town as of January 1, 2011 has increased by 5.69% or \$197,193,060 over calendar year 2010 to \$3,664,249,050. Existing property assessments increased by 3.78% or \$131,064,900 while new construction accounted for the \$66,128,160 difference. New construction was split 26/74 commercial vs. residential. During the FY 2011/12 we should also see a significant increase in assessment for the shopping center on Branch Road as the renovation of a large, previously vacant commercial space, is completed and occupied.

Local governments in Virginia are permitted to increase the property tax on existing properties by one per cent without being considered a tax increase. After the one percent adjustment is factored the so called “no increase” tax rate is established and used to compute any proposed tax increase or decrease. Any tax increase over an above the “no increase” rate must be published in a display advertisement in a local newspaper. The Town of Vienna exceeds all notice requirements by additionally posting information about any proposed tax increase in both the Town Newsletter and on the Town web site. We will also have the tax calculator, or widget, activated on the web site so residents can compute the actual effect on their tax bill by the proposed tax rate by entering their assessment totals from 2010 and 2011. Our goal is to make our budget process be as transparent as possible to the citizens of Vienna and provide them with any information they may desire.

For FY 2011/12 the Town of Vienna “no increase” effective tax rate is 23.82 cents per \$100 of assessed valuation versus the 2010/11 levy of 24.48 cents. As discussed earlier in this memorandum the 2011/12 proposed budget is based on a tax rate of 24.35 cents which represents an increase from the effective tax rate of 2.23%.

	FY 2010/11 Adopted Budget	FY 2011/12 Proposed Budget	Net Change	Percentage Increase (Decrease)
General Fund	\$20,769,965	\$21,317,648	\$547,683	2.64%
Debt Service	\$1,978,945	\$2,081,909	\$102,964	5.20%
Water & Sewer	\$6,452,770	\$6,486,947	\$34,177	.53%
Total	\$29,201,680	\$29,886,504	\$684,824	2.35%

Departmental expenditures will be discussed later in the budget message. Following is a chart that shows the effect of the proposed real estate tax rate and utility service charges for Fiscal Year 2011/12:

	FY 2010/11 Actual	FY 2011/12 Proposed	Net Change
Estimated Assessed Value	\$479,143 ¹	\$499,602 ¹	\$20,459
Tax Rate ²	24.48 cents	24.35 cents	(0.13cents)
Annual Property Tax Bill	\$1,172.94	\$1,216.53	\$43.59
Annual Water & Sewer Charges ³	\$732.72	\$759.32	\$26.60
Total Property Tax & Utility Charges	\$1,905.66	\$1,975.85	\$70.19

¹ Estimated Median Market Value from 2011 assessment data (residential average increase of 4.27%)

² Tax rate has not been adjusted to take into account any increase in assessed value. See the portion of the budget message on “no increase tax rate” for more information.

³ Based on quarterly usage of 19,000 gallons including the service charge

As expected, the increase in residential assessments outpaced that of commercial properties by more than two to one but with an economic recovery both locally and nationally it is our hope that the two will equalize over the next few years. As confidence builds in the business community additional expansion and renovation will take place and with increased business, revenues such as sales tax and BPOL will increase as well. A stable and healthy business community is essential for the Town to prosper even though Vienna is almost 80% residential.

GENERAL FUND

The General Fund for fiscal year 2011/12 totals \$21,317,648, an increase of \$547,683 or 2.64%. Increases in personnel related expenses account for \$384,880 of the increase. Reinstating step increases for the employees and increases in the budgeting for overtime costs as well as a projected increase of 14.5% in health insurance premiums (employer and employee share) are the main contributors to the increase. We will also have to assume the costs for the line of duty insurance program previously funded by the state and projected to be approximately \$10,000 for fiscal year 2011/12. The cost to the Town for this program is expected to increase substantially over the years.

Listed below is a breakdown, by department, of the General Fund projected expenditures for fiscal year 2011/12 with any significant budget changes outlined.

Department	FY 2010/11 Adopted Budget	FY 2011/12 Proposed Budget	Net Change	% Increase (Decrease)
Legislative	\$672,657	\$699,963	\$27,306	4.06%
Administration	\$1,698,444	\$1,833,750	\$135,306	7.97%
Finance	\$1,372,979	\$1,401,160	\$28,181	2.05%
Police	\$5,698,252	\$5,769,083	\$70,831	1.24%
Public Works	\$6,782,419	\$7,012,895	\$230,476	3.40%
Tax Relief	\$285,162	\$281,208	(\$3,954)	(1.39%)
Parks & Recreation	\$2,732,587	\$2,796,371	\$63,784	2.33%
Planning & Zoning	\$736,250	\$777,800	\$41,550	5.64%
Transfers & Reserves	\$303,161	\$249,700	(\$53,461)	(17.63%)
Computer Replacement Reserve	\$48,000	\$48,000	N/C	N/C
Vehicle & Equipt. Replacement	\$440,054	\$447,718	\$7,664	1.74%
Total	\$20,769,965	\$21,317,648	\$547,683	2.64%

Following is a summary of any significant changes in General Fund expenditures as compared to the FY 2010/11 budget:

Legislative

The Legislative budget (Town Council, Board and Commissions, Town Clerk, Legal Services, Volunteer Fire Department contribution and Donations and Contributions) has increased by \$27,306 or 4.06%. Significant changes in this budget include the first year of maintenance payments for the agenda software system and additional office furniture in the Town Clerk's office. As requested by the Town Attorney, we have established a legal services reserve and increased the legal services account by three percent.

Administration

The Administration budget (Town Manager, Administrative Services, Risk Management, Public Information and Information Technology) has increased by \$135,306 or 7.97%. A significant portion of this increase is due to the fact that the Town's share of the health insurance premium increase (\$93,757) is in the Risk Management budget and prior to budget adoption will be allocated to the respective department budgets. We have also budgeted for an expected \$24,000 increase in worker's compensation insurance and \$9,590 for the line of duty insurance premium previously paid by the state. It is now the responsibility of local jurisdictions to pick up this cost and, as stated earlier, we expect this expense to increase annually.

In the Public Information division funds have been included for a reclassification of the Public Information Officer based on increased duties and responsibilities (reviewed and approved by the Archer Company). We have also included funds for a part time intern to assist with the public information function based on 10 months of part time work.

Finance Department

The Finance Department budget for FY 2011/12 is proposed to increase by \$28,181 or 2.05% over FY 2010/11 levels. The only significant changes in this department budget is funding for maintenance for the new financial system.

Police Department

The proposed Police Department budget for FY 2011/12 has increased by only \$70,831 or 1.24% over the approved FY 2010/11 budget. There are no significant changes in this budget other than an increase in the budgeted amount for operational supplies in the Administration division. This account will now more accurately reflect the expenses recorded against this account. In previous years this account was significantly under budgeted requiring transfers from other operation accounts.

Public Works Department

The Public Works Department budget for FY 2011/12 has increased by \$230,476 or 3.40%. Overall, an effort has been made to adjust accounts in all divisions to reflect historical expenditures and reduce the need for internal departmental transfers during the fiscal year. In the Administration division we have included \$45,000 for consulting fees related to the preparation of required reports and supplementary materials for the Town VPDES Phase II permitting.

In the Street Maintenance division we have budgeted essentially the same amount as in the current fiscal year for street resurfacing. We have transferred the funding for concrete maintenance to the General Maintenance division and increased that amount by \$40,000 in an effort to reduce the backlog of needed concrete repairs.

In both the Sanitation and Special Pickup divisions we have decreased the budgeted amount for landfill fees based on our actual historical expenses and the projected rate for FY 2011/12.

In the Snow Removal division we have increased the amount for overtime to reflect actual historical expenses for snow and ice control. We have also increased the operational supplies account by \$40,000 to more accurately reflect the necessary purchases of salt and liquid magnesium chloride.

In the Building Maintenance division electricity charges have been increase by \$22,674 reflecting both actual and projected usage for FY 2011/12. We have also included \$90,000 for physical improvements including \$70,000 to paint the exterior of Town Hall and \$20,000 to replace the front and back doors to the building and install magnetic closures on interior hallway doors to meet fire code requirements.

In the Traffic Engineering division we have increased overtime by \$23,000 based on historical expenditures for emergency call outs and other after hours work and increased funding for repair supplies to reflect expected purchases of repair parts for the traffic signal system. We have also included \$7,250 as the Town 25% match for possible grants by the local and national Lions Clubs for the installation of audible pedestrian signals at five intersections. Should the grant not be approved by either the local or national Lions Clubs the funds will not be expended.

Tax Relief Programs

We estimate that in FY 2011/12 we will experience a decrease of approximately \$12,500 in requests for property tax relief but we do anticipate vehicle tax relief to increase by approximately \$10,000.

Parks and Recreation Department

The Parks and Recreation Department budget totals \$2,796,371 which is an increase of \$63,784 or 2.33% from FY 2010/11 levels.

In the Programs division budget we have increased the amount projected for part time employees by \$10,000 due to an expected increase in class offerings and registrations. An offsetting amount has been included in revenues as any increase in the number of classes or increased registration will produce offsetting revenue.

In the Parks Maintenance division budget we have increased the budget for overtime to reflect increased weekend and special event work. We have also increased the amount for part time employees as the department has increased the use of seasonal employees both during the summer and during the winter to assist with snow removal. The budget for physical improvements has been increased by \$8,000 of which a portion will be used for the renovation of the rear patio at Town Hall. Machinery and equipment has been increased by \$23,500 to purchase a split seeder, expand the greenhouse at the Nutley Street Yard and purchase a commercial walk behind mower.

In the Teen Center budget we have included \$16,000 for the replacement of the A/V system in the Teen Center.

In the Historic Preservation budget we have included \$5,000 for repairs to and painting of the Freeman House.

Planning and Zoning Department

The Planning and Zoning budget for FY 2011/12 is proposed at \$777,800, an increase of \$41,550 or 5.64%. The only significant changes in this budget are the reclassification of one Zoning Technician (reviewed and approved by the Archer Company) to recognize a change to assigned duties and an increase of \$11,000 in the consulting services account for increased GIS development and implementation.

Transfers and Reserves

We propose to transfer \$101,700 from the Town share of the telecommunications tax to the Capital Projects Fund for sidewalk construction. Our policy has been to transfer the first \$30,000 of receipts from this tax to the Vehicle and Equipment Replacement Fund with the balance to be used for sidewalk construction. For FY 2011/12 we estimate our total receipts from the telecommunications tax to be \$131,700, a reduction of \$10,300 from the budgeted amount for FY 2010/11.

The Contingency Reserve account is proposed for funding at \$215,000, a slight reduction from the FY 2010/11 budget. This amount should be sufficient based on historical needs.

The PC Replacement Reserve is proposed for funding at the same level as FY 2010/11 with \$38,000 to be used for replacement of lap top computers in our Police cruisers and \$10,000 for PC replacement in Town departments.

Vehicle & Equipment Replacement

Funding for the Vehicle & Equipment Replacement Program from the General Fund is proposed to increase slightly from \$440,054 in FY 2010/11 to \$447,718 in FY 2011/12. This modest increase reflects the cost of vehicles and equipment slated for replacement during the upcoming fiscal year.

General Fund Revenues

General Fund Revenues are projected to increase by \$547,683 or 2.64% over budgeted 2010/11 levels. Property tax receipts other than penalties, interest, prior year collections, etc. account for \$434,656 of the increase. As stated earlier in this memorandum, the receipts from property tax collections are based on a tax rate of 24.35 cents per \$100 of assessed valuation.

Significant increases/decreases in projected revenue include an increase in bank stock taxes for the second straight year. Our prediction last year at this time was that we would experience a healthy increase in this area and that prediction did materialize and we continue to project an increase for FY 2011/12. Conversely, we expect to see a reduction in revenue from BPOL taxes from the budgeted amount for FY 2010/11 but still think that the revenue will increase over actual 2010/11 receipts. Sales tax is also expected to increase as the economy improves and consumer spending rebounds.

Overall, fees collected by the Parks and Recreation Department are expected to decline although not by the degree we experienced during the current fiscal year. Again, as the economy improves the utilization of the Community Center and the class registration will increase.

HB 599 funding is expected to decrease yet again but not by as great an amount as was expected a few months ago while VDOT street maintenance funding is expected to increase slightly. The transfer from the Water and Sewer Fund to the General Fund was increased by \$38,000 and is still well below that amount identified as justified in a report prepared by our auditors. We have reduced the use of prior year reserves by \$100,000 based on our policy on maintenance of cash flow and carry forwards previously approved by the Town Council. In addition, the one time transfer of \$250,000 from the Vehicle and Equipment Replacement Reserve made in FY 2010/11 has not been repeated for FY 2011/12.

We do not know when we can expect to see the yield on our investments improve from the low rates now being paid and, as a result, we have budgeted only \$25,000 for investment earnings for the coming year.

DEBT SERVICE FUND

At the end of FY 2010/11 the current outstanding general obligation debt of the Town, including debt obligations of the Water and Sewer Fund, will be \$12,180,002. The outstanding amount is equivalent to about .332 per cent of the Town's taxable value and compares favorably with the statutory limit of ten percent of taxable value.

For FY 2011/12, debt service payments, including interest on the 1998, 1999, 2002, 2006 and 2010 debt issues will be \$325,000, \$320,000, \$326,667, \$330,000 and \$335,000 respectively for a total of \$1,636,667. Total principal retired during the year will reduce the Town's current outstanding general obligation debt to \$10,543,335, the equivalent of .288 per cent of the Town's 2011 taxable value.

At this time the Town anticipates issuing no new general obligation debt during FY 2011/12 and as a result, outstanding debt will not increase. The Town's general obligation debt continues to be retired with revenues from the meals and lodging tax as it has been since 1990. The retirement of the 1996 bond issue during FY 2010/11 represents the third bond issue retired with meals and lodging tax receipts. Revenue from the meals and lodging tax has begun to rise during the past year and, along with the reserves in the Debt Service Fund, sufficient balances are available to meet all required debt service payments using conservative revenue forecasting.

WATER & SEWER FUND

Expenditures for the Water & Sewer Fund total \$6,486,947, an increase of \$34,177 or .53%. The proposed Water & Sewer Fund budget for FY 2011/12 is \$62,118 less than the amount budgeted for water and sewer expenses in FY 2008/09. The Director of Finance has continued to apportion costs for each utility to properly reflect the true operating costs so that we may accurately determine and recommend the appropriate rate structure for the coming year.

Based on our projections for revenue and the classification of expenses we have determined that we can recommend a rate decrease of 15 cents per 1000 gallons for water consumption for all customers beginning with bills rendered after July 1,

2011. Conversely, it is necessary to recommend a rate increase of 50 cents per 1000 gallons for sewer use effective July 1 of this year. Overall the change in the rate structure is estimated to increase the average residential bill by \$26.84 per year. A detailed explanation of the reasons that necessitate the change in rates will be provided during the budget work sessions with the Council.

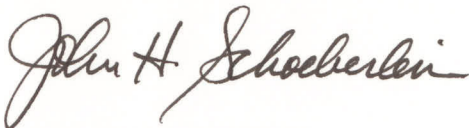
The studies concerning long term capital needs of the utility systems and the valuation of both systems are expected to be received by the Town most likely during April of this year and will be placed on a work session agenda for discussion at an appropriate time. We have continued to work on a long term water supply agreement during the past year and we think we are close to bringing that agreement before the Town Council for approval.

SUMMARY

We are seeing a recovery in the economy in Vienna both in terms of assessment values and certain business indicators. We are also experiencing an acceleration of building activity and the ratings agencies have designated Vienna's debt as AAA but there is still a long way to go. Overall our expenses and our revenues have tracked very close to our projections giving us a positive base from which to plan for the next fiscal year and beyond. We need to be mindful of the fact that any non local generated revenues are subject to the actions of those governments that funnel said funds to us. I firmly believe we have met the challenge of operating a local government that is both responsive and responsible and we will continue on this path into the future.

The proposed budget for FY 2011/12 has been developed to meet our needs for the next year and we look forward to discussing the budget at the work session meetings in April and at the public hearings on both the budget and the tax rate.

Respectfully submitted,



John H. Schoeberlein
Town Manager

/ntn



Town of Vienna, Virginia Core Values

PREAMBLE – TRADITIONS

- Our most valuable asset is our reputation.
- We balance the need for change while preserving our history and small town character.

CORE VALUES

- Integrity: Our actions are guided by ethical and honest conduct.
- Customer: We are responsive and service-oriented to meet customer needs.
- Valuing Employees: Our employees are our most valuable resource.
- Organizational Excellence: We deliver value and exceed expectations.
- Communications: We create an environment that fosters dialogue.
- Accountability: In all levels of the organization, we as individuals hold ourselves accountable for our actions.

Prepared by the employees of the Town of Vienna
May 15, 2008

TOWN OF VIENNA, VIRGINIA

Organizational Chart

